

TOWN OF ALAMO, TENNESSEE

ANNUAL FINANCIAL REPORT

JUNE 30, 2011

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Performed in Accordance with Government Auditing Standards

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TOWN OF ALAMO, TENNESSEEROSTER OF OFFICIALSJUNE 30, 2011Mayor

Tommy Green

AldermenIra Burrow
Joe JonesRoe Nell Hughes
Jody ByrdRecorder

Rita Reasons

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CERTIFIED PUBLIC ACCOUNTANTS

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ROBERT HOUSTON PAYNE, III, C.P.A.
TOMMY JOE WARREN, C.P.A.

MEMBERS:
AMERICAN INSTITUTE OF
CERTIFIED PUBLIC ACCOUNTANTS
TENNESSEE SOCIETY OF
CERTIFIED PUBLIC ACCOUNTANTS

Independent Auditor's Report

To the Mayor and Board of Aldermen
Town of Alamo, Tennessee

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the Town of Alamo, Tennessee, as of and for the year ended June 30, 2011, which collectively comprises the Town's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Town of Alamo, Tennessee's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Alamo City School System, which are identified in the accompanying financial statements as the General Purpose School Fund and the Federal Projects School Fund and the School Cafeteria Fund. These funds represent 74 percent, 76 percent and 79 percent, respectively, of the assets, net assets and revenues of the governmental activities. These financial statements were audited by other auditors whose report thereon has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Alamo City School System, is based on the report of the other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the report of other auditors provides a reasonable basis for our opinion.

In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, the business-type activities, each major fund, the aggregate remaining fund information, and the respective budgetary comparison for the General Fund and the General Purpose School Fund of the Town of Alamo, Tennessee, as of June 30, 2011, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

To the Mayor and Board of Aldermen
Town of Alamo, Tennessee
Page 2

In accordance with Government Auditing Standards, we have also issued a report dated November 18, 2011, on our consideration of the Town of Alamo's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 10 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquires of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquires, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Alamo, Tennessee's financial statements as a whole. The roster of officials on page 1 and the other supplementary information on pages 40 through 51 are presented for purposes of additional analysis and are not a required part of the financial statements. The budgetary Comparison Schedules, the Combining Balance Sheet-Non Major Governmental Funds, the Combining Statements of Revenues, Expenditures and Changes in Fund Balances-Non Major Governmental Funds and the Schedule of Expenditures of Federal Awards and State Financial Assistance are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain other procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole. All other introductory information and supplementary schedules have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Beddyth, Payne & Warr, P.C.

Certified Public Accountants

Jackson, Tennessee
November 18, 2011

TOWN OF ALAMO, TENNESSEEMANAGEMENTS DISCUSSION AND ANALYSISJUNE 30, 2011

This discussion and analysis is intended to be an easily readable analysis of the Town of Alamo, Tennessee (Town) financial performance during the fiscal year that ended on June 30, 2011. It should be read in conjunction with the Town's financial statements, which follow this section.

Financial Highlights

The Town's total net assets increased by \$39,879 during the current fiscal year.

The total assets of the Town for its governmental and business-type activities exceeded its liabilities as of June 30, 2011, by \$9,911,580. Of this amount \$6,005,767 is capital assets, net of related debt, \$3,986,327 is for restricted uses, and \$2,019,440 is for unrestricted uses in accordance with the Town's fund structure.

At the end of the current fiscal year, the Town's governmental funds reported total ending fund balances of \$2,779,882, an increase of \$42,907 over the prior year.

At the end of the current fiscal year, the General Fund fund balance was \$895,683, which was a decrease of \$106,605 from the previous year.

The Town's investment in net capital assets decreased by \$124,630 during the year.

The Town's long-term debt decreased by \$61,277 during the year.

Overview of the Financial Statements

The financial statements consist of the Management's Discussion and Analysis, the basic financial statements, and required supplementary information. The basic financial statements include two kinds of statements that present different perspectives. The first two statements are government-wide financial statements that provide both long-term and short-term information about the Town's overall financial status. The remaining statements are fund financial statements that focus on individual parts of the Town's government, reporting the operations in more detail than the government-wide statements. The governmental funds statements tell how general government services like public works, public safety and general government administration were financed in the short-term as well as what remains for future spending. Proprietary fund statements present short and long-term financial information about the activities the government operates like businesses, such as the water and sewer systems.

TOWN OF ALAMO, TENNESSEEMANAGEMENTS DISCUSSION AND ANALYSIS (CONT.)JUNE 30, 2011

The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data.

The required supplementary information further explains and supports the information in the financial statements.

Government-Wide Statements

The government-wide statements report information about the Town as a whole using accounting methods similar to those used by private-sector companies. The statement of net assets includes all of the government's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two government-wide statements report the Town's net assets and how they have changed. Net assets, the difference between the Town's assets and liabilities, is one way to measure the Town's financial position. Over time, increases or decreases in the Town's net assets are an indicator of whether its financial health is improving or deteriorating.

The government-wide financial statements of the Town are divided into two categories:

Government activities - Most of the Town's basic services are included here, such as the police, public works, parks and recreations, and general administration. Sales taxes, property taxes, state shared revenues, and charges for services finance most of these activities.

Business-type activities - The Town charges fees to customers to recover most of the costs of certain services. The Town's water and sewer system is included here.

Fund Financial Statements

The fund financial statements provide more detailed information about the Town's most significant funds - not the Town as a whole. Funds are accounting devices that the Town uses to keep track of specific sources of funding and spending for particular purposes.

Some funds are required by State law.

The Town establishes other funds to control and manage money for particular purposes or to show that it is properly using certain taxes and grants.

TOWN OF ALAMO, TENNESSEEMANAGEMENTS DISCUSSION AND ANALYSIS (CONT.)JUNE 30, 2011

The Town has two kinds of funds:

Governmental funds - Most of the Town's basic services are included in governmental funds, which focus on how cash and other financial assets that can readily be converted to cash flow in and out and the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the Town's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, additional information at the bottom of the governmental funds statement is provided that explains the differences between them.

Proprietary funds - Services for which the Town charges customers a fee are generally reported in proprietary funds. Proprietary funds, like the government-wide statements, provide both long- and short-term financial information.

The Town's enterprise funds (a type of proprietary fund) are the same as its business-type activities, but provide more detail and additional information, such as cash flows.

Government-Wide Financial Analysis

Net assets may serve over time as a useful indicator of a government's financial position. In the case of the Town, assets exceeded liabilities by \$9,911,580 at the close of the current fiscal year.

As shown below, the largest portion of the Town's net assets, \$6,005,797, reflects its investment in capital assets less any related outstanding debt used to acquire those assets. The Town uses those capital assets to provide services to citizens, therefore, those assets are not available for future spending. Even though the Town's investment in its capital assets is reported net of related debt, resources needed to repay this debt must be provided from other sources, since the capital assets cannot be used to liquidate liabilities. \$1,886,372 in net assets are subject to external funding source restrictions on how it may be used. The remaining portion of the Town's net assets is unrestricted and may be used to meet any of the Town's obligations in accordance with finance related requirements reflected in the Town's fund structure.

TOWN OF ALAMO, TENNESSEE

MANAGEMENTS DISCUSSION AND ANALYSIS (CONT.)

JUNE 30, 2011

At the end of the fiscal year ended June 30, 2011, the Town had positive balances in all categories of net assets, both for the Town as a whole as well as for its separate governmental and business-type activities.

Town of Alamo, Tennessee

Net Assets at Year End

	<u>June 30, 2011</u>			<u>June 30, 2010</u>		
	<u>Governmental</u>	<u>Business Type</u>	<u>Total</u>	<u>Governmental</u>	<u>Business Type</u>	<u>Total</u>
Current & other assets	\$ 3,448,813	\$ 1,192,528	\$4,641,341	\$ 3,411,190	\$ 1,159,194	\$ 4,570,384
Capital assets	<u>4,335,702</u>	<u>2,095,194</u>	<u>6,430,896</u>	<u>4,353,962</u>	<u>2,201,564</u>	<u>6,555,526</u>
Total Assets	<u>\$ 7,784,515</u>	<u>\$ 3,287,722</u>	<u>\$11,072,237</u>	<u>\$ 7,765,152</u>	<u>\$ 3,360,758</u>	<u>\$ 11,125,910</u>
Current & other liabilities	\$ 668,931	\$ 13,637	\$ 682,568	\$ 674,215	\$ 40,627	\$ 714,842
Long-term liabilities	<u>478,090</u>	<u>-</u>	<u>478,090</u>	<u>487,647</u>	<u>-</u>	<u>487,647</u>
Total Liabilities	<u>\$ 1,147,021</u>	<u>\$ 13,637</u>	<u>\$ 1,160,658</u>	<u>\$ 1,161,862</u>	<u>\$ 40,627</u>	<u>\$ 1,202,489</u>
Net assets						
Invested in capital assets, net of related debt	\$ 3,910,573	\$ 2,095,194	\$ 6,005,767	\$ 3,866,315	\$ 2,201,564	\$ 6,067,879
Restricted	1,886,372	-	1,886,372	1,655,257	-	1,655,257
Unrestricted	<u>840,549</u>	<u>1,178,891</u>	<u>2,019,440</u>	<u>1,081,718</u>	<u>1,118,567</u>	<u>2,200,285</u>
Total Net Assets	<u>\$ 6,637,494</u>	<u>\$ 3,274,085</u>	<u>\$ 9,911,579</u>	<u>\$ 6,603,290</u>	<u>\$ 3,320,131</u>	<u>\$ 9,923,421</u>

During the year ended June 30, 2011, there were no significant events that changed the balance of net assets.

A condensed statement of activities at June 30, 2011, is below.

	<u>June 30, 2011</u>			<u>June 30, 2010</u>		
	<u>Governmental</u>	<u>Business Type</u>	<u>Total</u>	<u>Governmental</u>	<u>Business Type</u>	<u>Total</u>
Revenues:						
Program Revenues:						
Charges for services	\$ 680,194	\$ 446,733	\$ 1,126,927	\$ 661,058	\$ 438,082	\$ 1,099,140
Operating grants & contributions	4,598,295	-	4,598,295	4,579,031	-	4,579,031
Capital grants & contributions	4,348	-	4,348	176,514	-	176,514
General Revenues:						
Taxes & state shared revenues	836,940	-	836,940	713,673	-	713,673
Other	<u>45,497</u>	<u>9,109</u>	<u>54,606</u>	<u>61,512</u>	<u>12,623</u>	<u>74,135</u>
Total Revenues	<u>\$ 6,165,274</u>	<u>\$ 455,842</u>	<u>\$ 6,621,116</u>	<u>\$ 6,191,788</u>	<u>\$ 450,705</u>	<u>\$ 6,642,493</u>

TOWN OF ALAMO, TENNESSEE

MANAGEMENTS DISCUSSION AND ANALYSIS (CONT.)

JUNE 30, 2011

	<u>June 30, 2011</u>			<u>June 30, 2010</u>		
	<u>Governmental</u>	<u>Business Type</u>	<u>Total</u>	<u>Governmental</u>	<u>Business Type</u>	<u>Total</u>
Expenses:						
General government	\$ 300,722	\$ -	\$ 300,722	\$ 464,597	\$ -	\$ 464,597
Public safety	345,563	-	345,563	265,325	-	265,325
Public works	626,261	-	626,261	489,556	-	489,556
Culture & recreation	8,770	-	8,770	11,940	-	11,940
Interest on long-term debt	24,078	-	24,078	27,102	-	27,102
Water-Sewer	-	501,888	501,888	-	452,776	452,776
Education	<u>4,773,956</u>	<u>-</u>	<u>4,773,956</u>	<u>4,552,081</u>	<u>-</u>	<u>4,552,081</u>
Total Expenditures	<u>\$ 6,079,350</u>	<u>\$ 501,888</u>	<u>\$ 6,581,238</u>	<u>\$ 5,810,601</u>	<u>\$ 452,776</u>	<u>\$ 6,263,377</u>
Change in net assets	\$ 85,924	\$ (46,046)	\$ 39,878	\$ 381,187	\$ (2,071)	\$ 379,116
Beginning net assets	<u>6,551,570</u>	<u>3,320,131</u>	<u>9,871,701</u>	<u>6,170,383</u>	<u>3,322,202</u>	<u>9,492,585</u>
Ending net assets	<u>\$ 6,637,494</u>	<u>\$ 3,274,085</u>	<u>\$ 9,911,579</u>	<u>\$ 6,551,570</u>	<u>\$ 3,320,131</u>	<u>\$ 9,871,701</u>

Governmental program revenues and expenses remained similar to the prior year.

Financial Analysis of the Town's Funds

Governmental Funds - The focus of the Town's governmental funds is to provide information on near-term inflow, outflow, and balance of expendable resources. As of the end of the current fiscal year, the Town reported ending fund balances in its governmental funds in the amount of \$2,779,883 which was an increase of \$42,907 over the prior year. Of that amount, \$893,509 was unassigned and considered available for spending. The remainder is unrestricted and is not available for spending because it has been committed for specific purposes. The unassigned fund balance of the General Fund amounted to \$893,509. The fund balance of the general purpose school fund is considered restricted for school use. The fund balance of the general purpose school fund amounted to \$1,598,509.

Proprietary Funds - The Town's proprietary fund's net assets decreased \$46,046 during the current year. Charges for services increased \$8,651. The charges for services are based on consumption.

Budgetary Highlights

Over the course of the year the general fund budget was revised only one time to cover changes in individual departments due to unexpected events. Budgeted expenditures were increased by \$9,893. After these amendments, the general fund expenditures were under budget by \$285,577. General fund revenues were under budget by \$28,290.

TOWN OF ALAMO, TENNESSEE

MANAGEMENTS DISCUSSION AND ANALYSIS (CONT.)

JUNE 30, 2011

Capital Assets and Debt Administration

Capital Assets

At June 30, 2011, the Town had \$6,430,896 invested in capital assets, net of accumulated depreciation. This investment includes land, buildings, improvements, machinery and equipment, parts, water and sewer lines and plant. There were no major capital asset activities during the year.

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Land	\$ 108,099	\$ -	\$ 108,099
Buildings and improvements	4,551,011	-	4,551,011
Equipment	1,971,304	260,583	2,231,887
Utility plant	-	4,527,206	4,527,206
Total	<u>\$ 6,630,414</u>	<u>\$ 4,787,789</u>	<u>\$ 11,418,203</u>
Less: Accumulated depreciation	<u>2,294,712</u>	<u>2,692,595</u>	<u>4,987,307</u>
Total	<u><u>\$ 4,335,702</u></u>	<u><u>\$ 2,095,194</u></u>	<u><u>\$ 6,430,896</u></u>

Long-Term Liabilities

At June 30, 2011, the Town had long-term liabilities outstanding in the amount of \$478,090.

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Revenue bonds	\$ -	\$ -	\$ -
General obligation bonds	380,000	-	380,000
Lease purchase notes	45,129	-	45,129
Compensated absences	<u>52,961</u>	<u>-</u>	<u>52,961</u>
	<u><u>\$ 478,090</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 478,090</u></u>

Economic Factors and Next Year's Budget

The annual budget is developed to provide efficient, effective and economic uses of the Town's resources, as well as a means to accomplish the highest priority objectives. Through the budget the major and aldermen set the direction of the Town, allocate its resources and establish its priorities. In considering the Town's budget for June 30, 2011, the mayor and aldermen considered all factors known to them relative to the Town's anticipated revenues and expenditures in order to project their objectives for the Town.

TOWN OF ALAMO, TENNESSEEMANAGEMENTS DISCUSSION AND ANALYSIS (CONT.)JUNE 30, 2011Financial Contact

The Town's financial report is designed to provide our citizens, taxpayers and investors with a general overview of the Town's finances and to show the Town's accountability for the resources it receives. Any questions about this report should be directed to the Mayor at City Hall, Alamo, Tennessee.

TOWN OF ALAMO, TENNESSEE

STATEMENT OF NET ASSETSJUNE 30, 2011

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
<u>ASSETS</u>			
Cash and cash equivalents	\$ 1,299,488.05	\$ 721,214.12	\$ 2,020,702.17
Certificates of deposit	1,180,736.00	440,740.00	1,621,476.00
Receivables, net	393,706.15	36,763.25	430,469.40
Internal balances	6,189.33	(6,189.33)	-
Due from other governments	551,733.14	-	551,733.14
Inventories	3,144.00	-	3,144.00
Restricted cash	13,817.00	-	13,817.00
Capital assets:			
Non-depreciable	108,099.00	-	108,099.00
Depreciable	6,522,314.79	4,787,788.86	11,310,103.65
Less: Accumulated depreciation	<u>(2,294,712.04)</u>	<u>(2,692,594.83)</u>	<u>(4,987,306.87)</u>
<u>Total Assets</u>	<u>\$ 7,784,515.42</u>	<u>\$ 3,287,722.07</u>	<u>\$ 11,072,237.49</u>

LIABILITIES

Accounts payable	\$ 34,038.65	\$ 9,810.47	\$ 43,849.12
Accrued liabilities	281,236.50	3,826.67	285,063.17
Deferred revenue	353,655.90	-	353,655.90
Long-term liabilities:			
Due within one year	65,129.00	-	65,129.00
Due in more than one year	<u>412,960.69</u>	<u>-</u>	<u>412,960.69</u>
<u>Total Liabilities</u>	<u>\$ 1,147,020.74</u>	<u>\$ 13,637.14</u>	<u>\$ 1,160,657.88</u>

NET ASSETS

Invested in capital assets, net of related debt	\$ 3,910,572.75	\$ 2,095,194.03	\$ 6,005,766.78
Restricted for:			
Solid waste	108,189.59	-	108,189.59
Street maintenance	11,410.16	-	11,410.16
Education	1,598,509.00	-	1,598,509.00
Education - Federal Projects	62,926.00	-	62,926.00
School Cafeteria	103,185.00	-	103,185.00
Other	2,153.06	-	2,153.06
Unrestricted	<u>840,549.12</u>	<u>1,178,890.90</u>	<u>2,019,440.02</u>
<u>Total Net Assets</u>	<u>\$ 6,637,494.68</u>	<u>\$ 3,274,084.93</u>	<u>\$ 9,911,579.61</u>

The notes to the financial statements are an integral part of this statement.

TOWN OF ALAMO, TENNESSEE

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2011

	Expenses	Charges for Services	Program Revenues Operating Grants and Contributions	Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Assets		
					Governmental Activities	Business-Type Activities	Total
<u>Governmental Activities</u>							
General government	\$ 300,722.43	\$ 36,303.00	\$ -	\$ -	\$ (264,419.43)	\$ -	\$ (264,419.43)
Public safety	345,562.64	10,267.87	10,400.00	4,347.60	(320,547.17)	-	(320,547.17)
Public works	626,261.26	254,316.32	67,350.43	-	(304,594.51)	-	(304,594.51)
Culture and recreation	8,769.66	-	-	-	(8,769.66)	-	(8,769.66)
Education	4,773,956.00	379,307.00	4,520,545.00	-	125,896.00	-	125,896.00
Interest on long-term debt	24,078.00	-	-	-	(24,078.00)	-	(24,078.00)
<u>Total Governmental Activities</u>	<u>\$ 6,079,349.99</u>	<u>\$ 680,194.19</u>	<u>\$ 4,598,295.43</u>	<u>\$ 4,347.60</u>	<u>\$ (796,512.77)</u>	<u>\$ -</u>	<u>\$ (796,512.77)</u>
<u>Business-Type Activities</u>							
Water-Sewer Fund	\$ 501,888.23	\$ 446,732.73	\$ -	\$ -	\$ -	\$ (55,155.50)	\$ (55,155.50)
<u>Total</u>	<u>\$ 6,581,238.22</u>	<u>\$ 1,126,926.92</u>	<u>\$ 4,598,295.43</u>	<u>\$ 4,347.60</u>	<u>\$ (796,512.77)</u>	<u>\$ (55,155.50)</u>	<u>\$ (851,668.27)</u>
<u>General Revenues</u>							
Property taxes					\$ 370,360.58	\$ -	\$ 370,360.58
Local option sales taxes					182,848.97	-	182,848.97
State shared revenues					242,274.89	-	242,274.89
Business taxes					26,698.76	-	26,698.76
Franchise taxes					14,757.19	-	14,757.19
Unrestricted interest earned					11,683.73	-	11,683.73
Other revenues					33,813.19	9,109.58	42,922.77
<u>Total General Revenues</u>					<u>\$ 882,437.31</u>	<u>\$ 9,109.58</u>	<u>\$ 891,546.89</u>
Changes in Net Assets					\$ 85,924.54	\$ (46,045.92)	\$ 39,878.62
Net assets, beginning of year					6,551,570.14	3,320,130.85	9,871,700.99
Net assets, end of year					<u>\$ 6,637,494.68</u>	<u>\$ 3,274,084.93</u>	<u>\$ 9,911,579.61</u>

The notes to the financial statements are an integral part of this statement.

TOWN OF ALAMO, TENNESSEE
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2011

ASSETS

Cash and equivalents	General Fund	General Purpose School Fund	Other Governmental Funds	Total
Certificates of deposit	\$ 104,639.97	\$ 1,118,907.00	\$ 75,941.08	\$ 1,299,488.05
Receivables, net of allowances for uncollectibles:	750,000.00	430,736.00	-	1,180,736.00
Taxes				
Other	365,235.90	-	-	365,235.90
Due from other funds	1,886.93	2,804.00	23,779.32	28,470.25
Due from other governments	-	7,169.00	21,525.28	28,694.28
Inventory	66,675.98	281,332.00	203,725.16	551,733.14
Restricted asset - cash in bank	-	-	3,144.00	3,144.00
<u>Total Assets</u>	<u>\$ 1,288,438.78</u>	<u>\$ 1,854,765.00</u>	<u>\$ 328,114.84</u>	<u>\$ 3,471,318.62</u>

LIABILITIES AND FUND BALANCES

<u>Liabilities</u>				
Accounts payable	\$ 14,404.56	\$ -	\$ 19,634.09	\$ 34,038.65
Accrued liabilities	9,379.50	256,256.00	15,601.00	281,236.50
Due to other funds	15,335.95	-	7,169.00	22,504.95
Deferred revenues - taxes	353,655.90	-	-	353,655.90
<u>Total Liabilities</u>	<u>\$ 392,775.91</u>	<u>\$ 256,256.00</u>	<u>\$ 42,404.09</u>	<u>\$ 691,436.00</u>
<u>Fund Balance</u>				
Nonspendable	\$ -	\$ -	\$ 3,144.00	\$ 3,144.00
Restricted for:				
Street Aid	-	-	11,410.16	11,410.16
Solid Waste	-	-	108,189.59	108,189.59
School Federal Projects	-	-	62,926.00	62,926.00
School Cafeteria	-	-	100,041.00	100,041.00
General Purpose School Fund	-	1,598,509.00	100,041.00	1,598,509.00
Other	2,153.06	-	-	2,153.06
Unassigned	893,509.81	-	-	893,509.81
<u>Total Fund Balances</u>	<u>\$ 895,662.87</u>	<u>\$ 1,598,509.00</u>	<u>\$ 285,710.75</u>	<u>\$ 2,779,882.62</u>
<u>Total Liabilities and Fund Balances</u>	<u>\$ 1,288,438.78</u>	<u>\$ 1,854,765.00</u>	<u>\$ 328,114.84</u>	

Amounts reported for governmental activities in the Statement of Net Assets are different because:

Capital assets (Net of depreciation) used in governmental activities are not financial resources and therefore are not reported in the funds

Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds

Net assets of governmental activities

\$ 4,335,701.75
<u>(478,089.69)</u>
<u>\$ 6,637,494.68</u>

The notes to the financial statements are an integral part of this statement.

TOWN OF ALAMO, TENNESSEE

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES

GOVERNMENTAL FUNDS

JUNE 30, 2011

Revenues	General Fund	General Purpose School Fund	Other Governmental Funds	Total
Property taxes	\$ 343,435.60	\$ -	\$ -	\$ 343,435.60
Local option sales taxes	182,848.97	-	-	182,848.97
Business taxes	26,698.76	-	-	26,698.76
TVA in-lieu of tax payments	26,924.98	-	-	26,924.98
Franchise taxes	14,757.19	-	-	14,757.19
State shared sales tax	158,978.16	-	-	158,978.16
State shared income tax	4,356.76	-	-	4,356.76
State shared beer tax	1,247.89	-	-	1,247.89
State shared transportation tax	5,127.17	-	-	5,127.17
State shared telecommunication tax	165.51	-	-	165.51
State shared corporate tax	7,276.22	-	-	7,276.22
State shared gas tax	-	-	-	-
State grants	74,098.03	-	65,123.18	65,123.18
County grants	8,000.00	-	-	74,098.03
County taxes	-	-	-	8,000.00
State education funds	-	450,579.00	-	450,579.00
Federal funds from state	-	3,575,826.00	-	3,575,826.00
USDA revenue	-	6,339.00	-	6,339.00
Other state revenue	-	-	477,521.00	477,521.00
Charges for services	-	6,441.00	296,174.00	296,174.00
Fines	6,950.00	9,732.00	3,839.00	10,280.00
Receipts from use of property	7,217.87	-	327,717.32	344,399.32
Interest income	32,403.00	-	-	7,217.87
Other	11,683.73	-	-	32,403.00
	4,288.19	-	-	11,683.73
<u>Total Revenues</u>	<u>\$ 916,458.03</u>	<u>\$ 4,077,625.00</u>	<u>\$ 817.00</u>	<u>\$ 6,165,274.53</u>

Expenditures

Current:

General Government:

Salaries and personnel expenses	\$ 139,284.72	\$ -	\$ -	\$ 139,284.72
Insurance	30,697.50	-	-	30,697.50
Legal and auditing	12,530.00	-	-	12,530.00
Utilities	50,024.45	-	-	50,024.45

TOWN OF ALAMO, TENNESSEE

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES (CONT.)

GOVERNMENTAL FUNDS

JUNE 30, 2011

<u>Expenditures (Cont.):</u>	<u>General</u>	<u>General Purpose</u>	<u>Other</u>	<u>Total</u>
<u>Current (Cont.):</u>	<u>Fund</u>	<u>School</u>	<u>Governmental</u>	
General Government (Cont.):				
Building and grounds	\$ 24,889.94	-	-	\$ 24,889.94
Supplies and postage	12,255.66	-	-	12,255.66
Publicity, dues and subscriptions	12,058.53	-	-	12,058.53
Other expenses	15,690.08	-	-	15,690.08
Public Safety:				
Police Department:				
Salaries and personnel expense	252,847.98	-	-	252,847.98
Operating expenses	19,344.38	-	-	19,344.38
Fire Department:				
Salaries and personnel expense	21,248.73	-	-	21,248.73
Operating expenses	12,419.06	-	-	12,419.06
Public Works:				
Streets:				
Salaries and personnel expenses	203,993.23	-	65,386.72	269,379.95
Maintenance and cleaning	21,629.19	-	-	21,629.19
Vehicle expense	14,123.22	-	-	14,123.22
Lighting	32,248.23	-	-	32,248.23
Blighted property cleanup	54,915.00	-	-	54,915.00
Garbage collection	-	-	225,576.92	225,576.92
Culture and Recreation:				
Parks	296.67	-	-	296.67
Cemetery expense	6,008.99	-	-	6,008.99
Education:				
Instruction	-	2,369,687.00	292,035.00	2,661,722.00
Support services	-	1,138,531.00	140,854.00	1,279,385.00
Non-instructional services	-	294,087.00	-	294,087.00
Food services	-	-	344,494.00	344,494.00
Debt Service	40,475.00	46,121.00	-	86,596.00
Capital Outlay	14,143.00	160,080.00	54,391.00	228,614.00
<u>Total Expenditures</u>	<u>\$ 991,123.56</u>	<u>\$ 4,008,506.00</u>	<u>\$ 1,122,737.64</u>	<u>\$ 6,122,367.20</u>
<u>Excess (Deficiency) of Revenues Over Expenditures</u>	<u>\$ (74,665.53)</u>	<u>\$ 69,119.00</u>	<u>\$ 48,453.86</u>	<u>\$ 42,907.33</u>

TOWN OF ALAMO, TENNESSEE

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES (CONT.)

GOVERNMENTAL FUNDS

JUNE 30, 2011

	General Fund	General Purpose School Fund	Other Governmental Funds	Total
Other Financing Sources (Uses)				
Transfers in	\$ 40,475.00	\$ 72,414.00	\$ -	\$ 112,889.00
Transfers out	(72,414.00)	(40,475.00)	-	(112,889.00)
Total Other Financing Sources (Uses)	\$ (31,939.00)	\$ 31,939.00	\$ -	\$ -
Net Changes in Fund Balances	\$ (106,604.53)	\$ 101,058.00	\$ 48,453.86	\$ 42,907.33
Fund Balance, Beginning of Year	1,002,267.40	1,497,451.00	237,256.89	2,736,975.29
Fund Balance, End of Year	\$ 895,662.87	\$ 1,598,509.00	\$ 285,710.75	\$ 2,779,882.62

The notes to the financial statements are an integral part of this statement.

TOWN OF ALAMO, TENNESSEERECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES OF GOVERNMENT FUNDS TO THE
STATEMENT OF ACTIVITIESFOR THE YEAR ENDED JUNE 30, 2011

Net change in fund balances - total governmental funds	\$ 42,907.33
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Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of these assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation expense exceeded capital outlay expense in the current period.

(18,259.89)

The issuance of long-term debt provides current financial resources to government funds, while the repayment of the principal and interest of long-term debt consumes the financial resources of government funds. Neither transaction has any effect on net assets. This amount is the net effect of these differences in the treatment of long-term debt and related items.

<u>61,277.10</u>

Changes in net assets of governmental activities	<u>\$ 85,924.54</u>
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TOWN OF ALAMO, TENNESSEE

GENERAL FUND

BUDGETARY COMPARISON SCHEDULE

FOR THE YEAR ENDED JUNE 30, 2011

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
				Favorable
				(Unfavorable)
<u>Revenues</u>				
Property taxes	\$ 338,300.00	\$ 341,506.00	\$ 343,435.60	\$ 1,929.60
Local option sales taxes	150,000.00	179,651.00	182,848.97	3,197.97
Business taxes	29,640.00	30,277.00	26,698.76	(3,578.24)
TVA in-lieu of tax payments	17,000.00	26,925.00	26,924.98	(.02)
Franchise taxes	13,000.00	14,757.00	14,757.19	.19
Intergovernmental revenues:				
State shared sales tax	150,000.00	158,321.00	158,978.16	657.16
State shared income tax	8,000.00	8,000.00	4,356.76	(3,643.24)
State shared beer tax	1,250.00	1,250.00	1,247.89	(2.11)
State shared city streets				
transport tax	5,000.00	5,134.00	5,127.17	(6.83)
State shared telecommunication tax	220.00	220.00	165.51	(54.49)
State shared corporate excise tax	9,500.00	9,500.00	7,276.22	(2,223.78)
State grants	91,700.00	91,700.00	74,098.03	(17,601.97)
County grants	8,000.00	8,000.00	8,000.00	-
Charges for services	4,200.00	6,950.00	6,950.00	-
Fines	7,250.00	7,868.00	7,217.87	(650.13)
Receipts from use of property	32,283.00	32,403.00	32,403.00	-
Interest income	18,000.00	18,000.00	11,683.73	(6,316.27)
Other revenues	500.00	4,287.00	4,288.19	1.19
<u>Total Revenues</u>	<u>\$ 883,843.00</u>	<u>\$ 944,749.00</u>	<u>\$ 916,458.03</u>	<u>\$ (28,290.97)</u>
<u>Expenditures</u>				
Current:				
General Government:				
Salaries and personnel expenses	\$ 139,192.00	\$ 139,938.00	\$ 139,284.72	\$ 653.28
Insurance	39,000.00	39,000.00	30,697.50	8,302.50
Legal and auditing	12,000.00	17,180.00	12,530.00	4,650.00
Utilities	56,000.00	56,000.00	50,024.45	5,975.55
Buildings and grounds expense	50,275.00	50,901.00	24,889.94	26,011.06
Supplies and postage	17,200.00	17,200.00	12,255.66	4,944.34
Publicity, dues, subscriptions	16,350.00	16,350.00	12,058.53	4,291.47
Other expenses	14,120.00	17,074.00	15,690.08	1,383.92
Public Safety:				
Police Department:				
Salaries & personnel expense	286,006.00	286,006.00	252,847.98	33,158.02
Operating expenses	25,800.00	25,800.00	19,344.38	6,455.62
Fire Department:				
Salaries & personnel expense	26,460.00	26,460.00	21,248.73	5,211.27
Operating expenses	17,000.00	17,282.00	12,419.06	4,862.94
Public Works:				
Streets:				
Salaries & personnel expense	249,530.00	249,530.00	203,993.23	45,536.77
Maintenance and cleaning	83,100.00	83,205.00	21,629.19	61,575.81
Vehicle expenses	17,000.00	17,000.00	14,123.22	2,876.78
Lighting	39,000.00	39,000.00	32,248.23	6,751.77
Blighted property cleanup	89,300.00	89,300.00	54,915.00	34,385.00
Culture and Recreation:				
Parks	8,000.00	8,000.00	296.67	7,703.33
Cemetery expense	9,500.00	9,500.00	6,008.99	3,491.01

TOWN OF ALAMO, TENNESSEE

GENERAL FUND

BUDGETARY COMPARISON SCHEDULE (CONT.)

FOR THE YEAR ENDED JUNE 30, 2011

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>Final Budget</u>
				<u>Favorable</u>
				<u>(Unfavorable)</u>
<u>Expenditures Continued)</u>				
Debt Service:				
Principal	\$ 20,000.00	\$ 20,000.00	\$ 20,000.00	\$ -
Interest	20,475.00	20,475.00	20,475.00	-
Capital Outlay	31,500.00	31,500.00	14,143.00	17,357.00
<u>Total Expenditures</u>	<u>\$ 1,266,808.00</u>	<u>\$ 1,276,701.00</u>	<u>\$ 991,123.56</u>	<u>\$ 285,577.44</u>
<u>Excess (Deficiency) of Revenues</u>				
<u>Over Expenditures</u>	<u>\$ (382,965.00)</u>	<u>\$ (331,952.00)</u>	<u>\$ (74,665.53)</u>	<u>\$ 257,286.47</u>
<u>Other Financing Sources (Uses)</u>				
Transfers in	\$ 40,475.00	\$ 40,475.00	\$ 40,475.00	\$ -
Transfers out	(72,414.00)	(72,414.00)	(72,414.00)	-
<u>Total Other Financing Sources</u>				
<u>(Uses)</u>	<u>\$ (31,939.00)</u>	<u>\$ (31,939.00)</u>	<u>\$ (31,939.00)</u>	<u>\$ -</u>
<u>Net Changes in Fund Balances</u>	<u>\$ (414,904.00)</u>	<u>\$ (363,891.00)</u>	<u>\$ (106,604.53)</u>	<u>\$ 257,286.47</u>
Fund Balances, Beginning of Year	<u>1,002,267.40</u>	<u>1,002,267.40</u>	<u>1,002,267.40</u>	<u>-</u>
Fund Balances, End of Year	<u>\$ 587,363.40</u>	<u>\$ 638,376.40</u>	<u>\$ 895,662.87</u>	<u>\$ 257,286.47</u>

The notes to the financial statements are an integral part of this statement.

TOWN OF ALAMO, TENNESSEE
GENERAL PURPOSE SCHOOL FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED JUNE 30, 2011

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>Budget</u>
				<u>Favorable</u>
				<u>(Unfavorable)</u>
<u>Revenues</u>				
Intergovernmental revenues:				
County taxes	\$ 408,792.00	\$ 408,792.00	\$ 450,579.00	\$ 41,787.00
Licenses and permits	200.00	200.00	263.00	63.00
State education funds	3,513,558.00	3,581,301.00	3,575,826.00	(10,475.00)
Other state revenues	100.00	100.00	6,441.00	6,341.00
Federal funds from state	262,339.00	262,339.00	6,339.00	(256,000.00)
Other local revenue	17,000.00	17,000.00	28,445.00	11,445.00
Services to other systems	9,200.00	9,200.00	9,732.00	532.00
<u>Total Revenues</u>	<u>\$ 4,211,189.00</u>	<u>\$ 4,283,932.00</u>	<u>\$ 4,077,625.00</u>	<u>\$ (206,307.00)</u>
<u>Expenditures</u>				
Instruction	\$ 2,420,344.00	\$ 2,442,358.00	\$ 2,369,687.00	\$ 72,671.00
Support services	1,258,972.00	1,307,111.00	1,138,531.00	168,580.00
Non-instructional services	563,812.00	565,812.00	294,087.00	271,725.00
Debt service	-	-	46,121.00	(46,121.00)
Capital outlay	-	-	160,080.00	(160,080.00)
<u>Total Expenditures</u>	<u>\$ 4,243,128.00</u>	<u>\$ 4,315,281.00</u>	<u>\$ 4,008,506.00</u>	<u>\$ 306,775.00</u>
<u>Excess of Revenues Over</u>				
<u>(Under) Expenditures</u>	<u>\$ (31,939.00)</u>	<u>\$ (31,349.00)</u>	<u>\$ 69,119.00</u>	<u>\$ 100,468.00</u>
<u>Other Financing Sources (Uses)</u>				
Transfers in	\$ 72,414.00	\$ 72,414.00	\$ 72,414.00	\$ -
Transfers out	(40,475.00)	(40,475.00)	(40,475.00)	-
<u>Total Other Financing Sources</u>				
<u>(Uses)</u>	<u>\$ 31,939.00</u>	<u>\$ 31,939.00</u>	<u>\$ 31,939.00</u>	<u>\$ -</u>
<u>Excess (Deficiency) of Revenues</u>				
<u>Over Expenditures and</u>				
<u>Other Sources</u>	<u>\$ -</u>	<u>\$ 590.00</u>	<u>\$ 101,058.00</u>	<u>\$ 100,468.00</u>
Fund Balance, Beginning of Year	<u>1,497,451.00</u>	<u>1,497,451.00</u>	<u>1,497,451.00</u>	<u>-</u>
Fund Balance, End of Year	<u>\$ 1,497,451.00</u>	<u>\$ 1,498,041.00</u>	<u>\$ 1,598,509.00</u>	<u>\$ 100,468.00</u>

The notes to the financial statements are an integral part of this statement.

TOWN OF ALAMO, TENNESSEESTATEMENT OF NET ASSETSPROPRIETARY FUNDSJUNE 30, 2011

Water-Sewer
Fund

ASSETSCurrent Assets

Cash and cash equivalents	\$ 721,214.12
Certificates of deposit	440,740.00
Customer receivables, net	36,763.25
Due from other funds	<u>15,335.95</u>

Total Current Assets\$ 1,214,053.32Non-Current Assets

Restricted cash	\$ -
Capital assets:	
Utility plant	4,527,205.74
Equipment	260,583.12
Less accumulated depreciation	<u>(2,692,594.83)</u>

Total Non-Current Assets\$ 2,095,194.03Total Assets\$ 3,309,247.35LIABILITIESCurrent Liabilities

Accounts payable	\$ 9,810.47
Accrued liabilities	3,826.67
Due to other funds	<u>21,525.28</u>

Total Current Liabilities\$ 35,162.42NET ASSETS

Invested in capital assets, net of related debt	\$ 2,095,194.03
Unrestricted	<u>1,178,890.90</u>
<u>Total Net Assets</u>	<u>\$ 3,274,084.93</u>

The notes to the financial statements are an integral part of this statement.

TOWN OF ALAMO, TENNESSEE

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS

PROPRIETARY FUNDS

FOR THE YEAR ENDED JUNE 30, 2011

	<u>Water-Sewer Fund</u>
<u>Operating Revenues</u>	
Water and sewer charges	\$ 401,585.14
Connection and service fees	11,630.00
Penalties	15,833.48
Miscellaneous	<u>17,684.11</u>
<u>Total Operating Revenues</u>	<u>\$ 446,732.73</u>
<u>Operating Expenses</u>	
Salaries and personnel expense	\$ 177,887.65
Utilities	58,230.95
Supplies and testing	12,180.46
System maintenance	92,689.40
Depreciation	106,370.09
Administrative and general expenses	<u>54,529.68</u>
<u>Total Operating Expenses</u>	<u>\$ 501,888.23</u>
<u>Operating Income (Loss)</u>	<u>\$ (55,155.50)</u>
<u>Non-Operating Revenues (Expenses)</u>	
Interest revenue	\$ 9,109.58
Interest expense	<u>-</u>
<u>Total Non-Operating Revenues (Expenses)</u>	<u>\$ 9,109.58</u>
<u>Change in Net Assets</u>	<u>\$ (46,045.92)</u>
Net Assets, Beginning of Year	<u>3,320,130.85</u>
Net Assets, End of Year	<u><u>\$ 3,274,084.93</u></u>

The notes to the financial statements are an integral part of this statement.

TOWN OF ALAMO, TENNESSEE
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2011

	<u>Water-Sewer Fund</u>
<u>Cash Flows from Operating Activities</u>	
Receipts from customers	\$ 446,471.15
Payments to suppliers	(213,369.88)
Payments to employees	<u>(177,887.65)</u>
<u>Net Cash Provided by Operating Activities</u>	<u>\$ 55,213.62</u>
<u>Cash Flows from Non-Capital Financing Activities</u>	
Interfund activity	\$ 21,525.28
Customer deposits	<u>(31,250.83)</u>
<u>Net Cash Provided (Used) by Non-Capital Financing Activities</u>	<u>\$ (9,725.55)</u>
<u>Cash Flows from Capital and Related Financing Activities</u>	<u>\$ -</u>
<u>Cash Flows from Investing Activities</u>	
Interest received	\$ 9,109.58
Invested in certificates of deposit	<u>(740.00)</u>
<u>Net Cash Provided by Investing Activities</u>	<u>\$ 8,369.58</u>
<u>Net Increase in Cash and Cash Equivalents</u>	<u>\$ 53,857.65</u>
Balance - Beginning of year	<u>667,356.47</u>
Balance -- End of Year	<u><u>\$ 721,214.12</u></u>
Reconciliation of Operating Income (Loss) to Net Cash provided (Used) by Operating Activities:	
Operating income (loss)	\$ (55,155.50)
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	106,370.09
Changes in assets and liabilities:	
Receivables, net	(261.58)
Payables	4,227.48
Accrued expenses	<u>33.13</u>
<u>Net Cash Provided by Operating Activities</u>	<u>\$ 55,213.62</u>

The notes to the financial statements are an integral part of this statement.

TOWN OF ALAMO, TENNESSEENOTES TO BASIC FINANCIAL STATEMENTSJUNE 30, 2011NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Town of Alamo, Tennessee (The "Town") is incorporated under the provisions of the State of Tennessee. The Town operates under the Mayor and Board of Aldermen form of government and provides the following services as authorized by its charter: public safety (police and fire), streets, sanitation, health and social services, education, culture-recreation, public improvements, planning and zoning and general administrative services. Also, the Town owns and operates a water and sewer system.

The Town's financial statements are prepared in accordance with generally accepted accounting principles (GAAP). The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations). Governments are also required to follow the pronouncements of the Financial Accounting Standards Board (FASB) issued through November 30, 1989 (when applicable) that do not conflict with or contradict GASB pronouncements. Although the Town has the option to apply FASB pronouncements issued after that date to its business-type activities and enterprise funds, the Town has chosen not to do so. The more significant accounting policies established in GAAP and used by the Town are discussed below.

In June, 1999, the Governmental Accounting Standards Board (GASB) approved Statement No. 34, Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments. Certain of the significant changes in the Statement include the following:

For the first time the financial statements include:

A Management Discussion and Analysis (MD&A) section providing an analysis of the Town's overall financial position and results of operations.

Financial statements prepared using full accrual accounting for all of the Town's activities, including infrastructure (roads, bridges, etc.).

A change in the fund financial statements to focus on the major funds.

These and other changes are reflected in the accompanying financial statements (including notes to financial statements).

TOWN OF ALAMO, TENNESSEENOTES TO BASIC FINANCIAL STATEMENTS (CONT.)JUNE 30, 2011NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT.)A. Reporting Entity

The Town applies the criteria set forth in GASB Statement No. 14, The Financial Reporting Entity, to determine which governmental organizations should be included in the reporting entity. As defined by that statement, component units are legally separate entities that are included in the Town's reporting entity because of the significance of their operating or financial relationships with the Town. The Town presently has no component units included within its reporting entity. The financial statements of the School Board of Alamo are reported as funds of the Town.

B. Basic Financial Statements – Government-Wide Statements

The Town's basic financial statements include both government-wide (reporting the Town as a whole) and fund financial statements (reporting the Town's major funds). Both the government-wide and fund financial statements categorize primary activities as either governmental or business type. The Town's police and fire protection, education, parks and recreation, public works, and general administrative services are classified as governmental activities. The Town's water and sewer services are classified as a business-type activity.

In the government-wide Statement of Net Assets, both the governmental and business-type activities columns (a) are presented on a consolidated basis by column, (b) and are reported on a full accrual, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. The Town's net assets are reported in three parts—invested in capital assets, net of related debt; restricted net assets; and unrestricted net assets.

The government-wide Statement of Activities reports both the gross and net cost of each of the Town's functions and business-type activities. The functions are also supported by general government revenues (property, sales taxes, certain intergovernmental revenues, and other. The Statement of Activities reduces gross expenses (including depreciation) by related program revenues. Program revenues must be directly associated with the function or a business-type activity. Operating grants include operating-specific grants. The net costs are normally covered by general revenue. The Town does not allocate indirect costs.

This government-wide focus is more on the sustainability of the Town as an entity and the change in the Town's net assets resulting from the current year's activities.

TOWN OF ALAMO, TENNESSEENOTES TO BASIC FINANCIAL STATEMENTS (CONT.)JUNE 30, 2011NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT.)C. Basic Financial Statements—Fund Financial Statements

The financial transactions of the Town are reported in individual funds in the fund financial statements. Each fund is accounted for by providing a separate set of self-balancing accounts that comprises its assets, liabilities, reserves, fund equity, revenues and expenditures/expenses.

The emphasis in fund financial statements is on the major funds in either the governmental or business type activities categories. Non-major funds by category are summarized into a single column. GASB No. 34 sets forth the minimum criteria for the determination of major funds. The non-major funds are combined in a column in the fund financial statements.

1. Governmental Funds:

The focus of the governmental funds' measurement (in the fund statements) is upon determination of financial position and changes in financial position (sources, uses, and balances of financial resources) rather than upon net income.

The Town's General Fund and General Purpose School Fund are reported as major governmental funds. The General Fund is used to account for all financial revenues not required to be accounted for in another fund. The General Purpose School Fund accounts for all school activities not required to be accounted for in the Federal Projects School Fund or the School Cafeteria Fund.

2. Proprietary Funds:

The focus of proprietary fund measurement is upon determination of operating income, changes in net assets, financial position, and cash flows. The generally accepted accounting principles applicable are those similar to businesses in the private sector. The Town's proprietary fund is classified as an enterprise fund and is reported as a major proprietary fund.

Proprietary funds distinguish operating revenue and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's primary ongoing operations. The primary operating revenues of the Water-Sewer Fund are charges to customers for sales and services. The proprietary funds also recognize as operating revenue tap fees and other fees intended to recover the cost of connecting customers to the system. Operating expenses of the proprietary funds include the cost of sales

TOWN OF ALAMO, TENNESSEE

NOTES TO BASIC FINANCIAL STATEMENTS (CONT.)

JUNE 30, 2011

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT.)

C. Basis of Financial Statements - Fund Financial Statements (Cont.)

2. Proprietary Funds (Cont.)

and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting these definitions are reported as non-operating revenues and expenses.

- a. **Enterprise funds** are required to be used to account for operations for which a fee is charged to external users for goods or services and the activity (a) is financed with debt that is solely secured by a pledge of the net revenues, (b) has third party requirements that the cost of providing services, including capital costs, be recovered with fees and charges or (c) establishes fees and charges based on a pricing policy designed to recover similar costs.

The Town's Water and Sewer Fund is a major proprietary fund used to account for all financial resources related to the operation of the Water and Sewer Department.

D. Basis of Accounting

Basis of accounting refers to the point at which revenues or expenditures/expenses are recognized in the accounts and reported in the financial statements. It relates to the timing of the measurements made regardless of the measurement focus applied.

1. Accrual:

Both governmental and business-type activities in the government-wide financial statements and the proprietary fund financial statements are presented on the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred.

2. Modified Accrual:

The governmental funds financial statements are presented on the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual; i.e., both measurable and available. "Available" means collectible within the current period or within 60 days after year end. Expenditures are generally recognized under the modified accrual basis of accounting when the related liability is incurred. The exception to this general rule is that principal and interest on general obligation long-term debt, if any, is recognized when due.

TOWN OF ALAMO, TENNESSEENOTES TO BASIC FINANCIAL STATEMENTS (CONT.)JUNE 30, 2011NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT.)E. Financial Statement Amounts1. Cash and Cash Equivalents and Investments:

Cash and cash equivalents include cash on hand and cash on deposit in checking accounts. Investments consist solely of bank certificates of deposit with initial maturities in excess of 3 months.

2. Inventories:

The Town does not maintain any significant amount of supplies in inventory.

3. Capital Assets:

Capital assets are reported at historical cost or estimated historical cost. Contributed assets are reported at fair value as of the date received. The Town defines capital assets as assets with an initial cost of more than \$1,000 and an estimated useful life of greater than one year, except for School Funds, in which capital assets are deferred as assets with an initial cost of more than \$500 and an extended useful life of greater than two years. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs for repairs and maintenance are expensed as incurred.

GASBS No. 34 requires the Town to report and depreciate new infrastructure assets effective July 1, 2003. Infrastructure assets include roads, bridges, and so forth. Neither their historical cost nor related depreciation has historically been reported in the financial statements. The retroactive reporting of infrastructure is not required by the Town.

3. Capital Assets (Continued):

Depreciation on all assets is provided on the straight-line basis over the following useful lives:

Buildings	20 - 60 years
Utility plant	20 - 40 years
Machinery and equipment	5 - 25 years
Other improvements	15 - 25 years

TOWN OF ALAMO, TENNESSEENOTES TO BASIC FINANCIAL STATEMENTS (CONT.)JUNE 30, 2011NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT.)E. Financial Statement Amounts (Cont.)

4. Revenue Recognition:

Property taxes attach as an enforceable lien on property as of January 1. Taxes are levied on October 1, and are due and payable at that time. Unpaid taxes become delinquent March 1 of the following year.

Since current year property taxes are not yet available at June 30, recognition of those revenues is deferred until such time as they become available.

Substantially all governmental fund revenues are accrued. Revenues in enterprise funds are recognized when billed.

5. Expenditures

Expenditures are recognized when the related fund liability is incurred.

6. Compensated Absences:

The Town's policy allows employees to accumulate unused sick leave with no limit as to amount, and unused annual leave from 30 to 42 days based on length of service. Sick leave is not vested and is not paid upon termination. Accumulated annual leave is payable to employees upon termination.

The personnel policies of the School Board of Alamo do not allow any vested accumulation of annual leave. Sick leave can be accumulated up to a maximum of 10 days per year, which is not vested.

7. Interfund Activity:

Transactions between funds that are representative of lending/borrowing arrangements that are outstanding at June 30 are referred to as due to/from other funds. All interfund balances are reported as current. Amounts reported in the fund financial statements as due to/from other funds are eliminated in the government-wide Statement of Net Assets.

The effect of interfund activity, if any, has been eliminated from the government-wide financial statements except for interfund services provided and used between the funds.

TOWN OF ALAMO, TENNESSEENOTES TO BASIC FINANCIAL STATEMENTS (CONT.)JUNE 30, 2011NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT.)E. Financial Statement Amounts (Cont.)

8. Long-Term Obligations:

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets.

In the fund financial statements, governmental fund types recognize bond discounts and issuance costs in the current period. Bond discounts and refunding losses for proprietary fund types are deferred and amortized over the term of the bonds using the bonds-outstanding method, which approximates the effective interest method. Both amounts are presented as a reduction of the face amount of bonds payable.

8. Government-wide and proprietary fund net assets are divided into three components:

A) Invested in capital assets, net of related debt consists of the historical cost of capital assets less accumulated depreciation and less any debt that remains outstanding that was used to finance these assets.

B) Restricted net assets consists of net assets that are restricted by the town's creditors, by state enabling legislation, by grantors or by other contributors.

C) Unrestricted net assets consists of all other net assets.

When both restricted and unrestricted resources are available for use, it is the Town's policy to use restricted resources first, then unrestricted resources as they are needed.

10. Governmental Fund Balances:

In the governmental fund financial statements, fund balances are classified as follows:

A) Nonspendable are amounts that cannot be spent either because they are in a nonspendable form or because they are legally or contractually required to be maintained intact.

TOWN OF ALAMO, TENNESSEENOTES TO BASIC FINANCIAL STATEMENTS (CONT.)JUNE 30, 2011Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT.)E. Financial statement Amounts (Cont.)

10. Governmental Fund Balances (Cont.):

- B) Restricted are amounts that can only be spent for specific purposes because of laws or regulations or externally imposed conditions by grantors or creditors.
- C) Unassigned are amounts not included in other spendable classifications.

11. Estimates:

The preparation of financial statements in conformity with generally accepted accounting principles require management to make estimates that could affect certain reported amounts and disclosures. Accordingly, actual results could differ from these estimates.

NOTE 2 - PENSION PLANA. Plan Description

Employees of the Town of Alamo (other than employees of the Alamo City Schools) are members of the Political Subdivision Pension Plan (PSPP), an agent multiple-employer defined benefit pension plan administered by the Tennessee Consolidated Retirement System (TCRS). TCRS provides retirement benefits as well as death and disability benefits. Benefits are determined by a formula using the member's high five-year average salary and years of service. Members become eligible to retire at the age of 60 with 5 years of service or at any age with 30 years of service. A reduced retirement benefit is available to vested members at the age of 55.

Disability benefits are available to active members with five years of service who become disabled and cannot engage in gainful employment. There is no service requirement for disability that is the result of an accident or injury occurring while the member was in the performance of duty. Members joining the system after July 1, 1979 become vested after 5 years of service and members joining prior to July 1, 1979 were vested after 4 years of service. Benefit provisions are established in state statute found in Title 8, Chapter 34-37 of the Tennessee Code Annotated (TCA). State statutes are amended by the Tennessee General Assembly. Political subdivisions such as the Town of Alamo participate in the TCRS as individual entities and are liable for all costs associated with the operation and administration of their plan. Benefit improvements are not applicable to a political subdivision unless approved by the chief governing body.

TOWN OF ALAMO, TENNESSEENOTES TO BASIC FINANCIAL STATEMENTS (CONT.)JUNE 30, 2011NOTE 2 - PENSION PLAN (Continued)A. Plan Description (Cont.)

The TCRS issues a publicly available financial report that includes financial statements and required supplementary information for the PSPP. That report may be obtained by writing to Tennessee Treasury Department, Consolidated Retirement System, 10th Floor Andrew Jackson Building, Nashville, TN 37243-0230, or can be accessed at www.tn.gov/treasury/tcrs/ps/.

B. Funding Policy

The Town of Alamo requires employees contribute 5.0 percent of earnable compensation. The Town of Alamo is required to contribute at an actuarially determined rate; the rate for the fiscal year ending June 30, 2011 was 7.94% annual covered payroll. The contribution requirement of plan members is set by state statute. The contribution requirement for the Town of Alamo is established and may be amended by the TCRS Board of Trustees.

C. Annual Pension Cost

For the year ending June 30, 2011 the Town of Alamo's annual pension cost of \$101,640 to TCRS was equal to the Town's required and actual contributions.

The required contribution was determined as part of the July 1, 2009, actuarial valuation using the frozen entry age actuarial cost method. Significant actuarial assumptions used in the valuation include (a) rate of return on investment of present and future assets of 7.5 percent a year compounded annually, (b) projected 3.0 percent annual rate of inflation, (c) projected salary increases of 4.75 percent (graded) annual rate (no explicit assumption is made regarding the portion attributable to the effects of inflation on salaries), (c) projected 3.5 percent annual increase in the Social Security wage base, and (d) projected post retirement increases of 2.5 percent annually. The actuarial value of assets was determined using techniques that smooth the effect of short-term volatility in the market value of total investments over a ten-year period. The Town of Alamo's unfunded actuarial accrued liability is being amortized as a level dollar amount on a closed basis. The remaining amortization period at July 1, 2009 was 6 years. An actuarial valuation was performed as of July 1, 2009, which established contribution rates effective July 1, 2010.

TOWN OF ALAMO, TENNESSEE

NOTES TO BASIC FINANCIAL STATEMENTS (CONT.)

JUNE 30, 2011

NOTE 2 - PENSION PLAN (Continued)C. Annual Pension Cost (Cont.)Trend Information

<u>Fiscal Year Ending</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
6-30-11	\$ 101,640	100.0%	\$ -
6-30-10	104,763	100.0%	-
6-30-09	96,902	100.0%	-

Funded Status and Funding Progress

As of July 1, 2009, the most recent actuarial valuation date, the plan was 85.77% percent funded. The actuarial accrued liability for benefits was \$2.6 million, and the actuarial value of assets was \$2.2 million, resulting in an unfunded actuarial accrued liability (UAAL) of \$0.4 million. The covered payroll (annual payroll of active employees covered by the plan) was \$1.1 million, and the ratio of the UAAL to the covered payroll was 33/54% percent.

The schedules of funding progress, presented as required supplementary information (RSI) following the notes to the financial statements, present multiyear trend information about whether the actuarial values of plan assets are increasing or decreasing over time relative to the AALs for benefits.

The annual required contribution (ARC) was calculated using the aggregated actuarial cost method. Since the aggregate actuarial cost method does not identify or separately amortize unfunded actuarial liabilities, information about funded status and funding progress has been prepared using the entry age actuarial cost method for that purpose, and this information is intended to serve as a surrogate for the funded status and funding progress of the plan.

(Dollar amounts in thousands)

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Plan Assets (a)</u>	<u>Actuarial Accrued Liability (AAL) -Entry Age (b)</u>	<u>Unfunded ALL (UAAL) (b)-(a)</u>	<u>Funded Ratio (a/b)</u>	<u>Covered Payroll (c)</u>	<u>UAAL as a Percentage of Covered Payroll ((b-a) / c)</u>
7-01-09	\$ 2,216	\$ 2,584	\$ 368	85.77%	\$1,096	33.54%
7-01-07	2,031	2,355	324	86.24%	947	34.21%

TOWN OF ALAMO, TENNESSEE

NOTES TO BASIC FINANCIAL STATEMENTS (CONT.)

JUNE 30, 2011

NOTE 2 - PENSION PLAN (Cont.)D. Required Supplementary Information

Schedule of Funding Progress for the Town of Alamo
(Dollar Amounts in Thousands)

Actuarial Valuation Date	Actuarial Value of Plan Assets (a)	Actuarial Accrued Liability (AAL) -Entry Age (b)	Unfunded ALL (UAAL) (b)-(a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a) /c)
7-01-09	\$ 2,216	\$ 2,584	\$ 368	85.77%	\$1,096	33.54%
7-01-07	2,031	2,355	324	86.24%	947	34.21%

The Governmental Accounting Standards Board (GASB) requires the plan to prepare the Schedule of Funding Progress using the entry age actuarial cost method. The requirement to present the Schedule of Funding Progress using the Entry Age actuarial cost method went into effect during the year 2007 actuarial valuation, therefore, only the more recent valuations are presented.

NOTE 3 - DEFINED BENEFIT PENSION PLAN - ALAMO CITY SCHOOLSA. Plan Description

The Alamo City Schools contribute to the State Employees, Teachers, and Higher Education Employees Pension Plan (SETHEPP), a cost-sharing multiple employer defined benefit pension plan administered by the Tennessee Consolidated Retirement System (TCRS). TCRS provides retirement benefits as well as death and disability benefits to plan members and their beneficiaries. Benefits are determined by a formula using the member's high five-year average salary and years of service. Members become eligible to retire at the age of 60 with five years of service or at any age with 30 years of service. A reduced retirement benefit is available to vested members who are at least 55 years of age or have 25 years of service. Disability benefits are available to active members with five years of service who become disabled and cannot engage in gainful employment. There is no service requirements for disability that is the result of an accident or injury occurring while the member was in the performance of duty. Members joining the plan on or after July 1, 1979, are vested after five years of service. Members joining prior to July 1, 1979, are vested after four years of service. Benefit provisions are established in state statute found in Title 8, Chapters 34-37 of the Tennessee Code Annotated (TCA). State statutes are amended by the Tennessee General Assembly. Cost of living adjustments (COLA) are provided to

TOWN OF ALAMO, TENNESSEE

NOTES TO BASIC FINANCIAL STATEMENTS (CONT.)

JUNE 30, 2011

NOTE 2 - PENSION PLAN (Cont.)A. Plan Description

retirees each July based on the percentage change in the Consumer Price Index (CPI) during the previous calendar year. No COLA is granted if the CPI increases less than one-half percent. The annual COLA is capped at three percent.

The TCRS issues a publicly available financial report that includes financial statements and required supplementary information for the SETHEPP. That report may be obtained by writing to the Tennessee Treasury Department, Consolidated Retirement System, 10th Floor Andrew Jackson Building, Nashville, TN 37243-0230 or can be accessed at www.treasury.state.tn.us.

B. Funding Policy

Most teachers are required by state statute to contribute 5 percent of salary to the plan. The employer contribution rate for Alamo City Schools is established at an actuarially determined rate. The rate for the fiscal year ending June 30, 2011, was 9.05 percent of annual covered payroll. The employer's contribution requirement for Alamo City Schools is established and may be amended by the TCRS Board of Trustees. The employer's contributions to TCRS for the years ending June 30, 2011, 2010, and 2009, were \$180,151, \$133,841, and \$130,946, respectively, equal to the required contributions for each year.

NOTE 4 - CAPITAL ASSETS

	<u>Beginning Balance</u>	<u>Increase</u>	<u>Decrease</u>	<u>Ending Balance</u>
Governmental Activities:				
Capital assets not being depreciated:				
Land	\$ 108,099.00	\$ -	\$ -	\$ 108,099.00
Construction in progress	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total capital assets not being depreciated	<u>\$ 108,099.00</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 108,099.00</u>
Other capital assets:				
Buildings and improvements	\$ 4,441,085.00	\$ 109,926.00	\$ -	\$ 4,551,011.00
Equipment	<u>1,855,602.45</u>	<u>121,674.67</u>	<u>5,973.33</u>	<u>1,971,303.79</u>
Total other capital assets	<u>\$ 6,296,687.45</u>	<u>\$ 231,600.67</u>	<u>\$ 5,973.33</u>	<u>\$ 6,522,314.79</u>
Less accumulated depreciation	<u>2,050,824.81</u>	<u>246,873.89</u>	<u>2,986.66</u>	<u>2,294,712.04</u>
Other Capital Assets, Net	<u>\$ 4,245,862.64</u>	<u>\$ (15,273.22)</u>	<u>\$ 2,986.67</u>	<u>\$ 4,227,602.75</u>
Governmental Activities, Capital Assets, Net	<u>\$ 4,353,961.64</u>	<u>\$ (15,273.22)</u>	<u>\$ 2,986.67</u>	<u>\$ 4,335,701.75</u>

TOWN OF ALAMO, TENNESSEE

NOTES TO BASIC FINANCIAL STATEMENTS (CONT.)

JUNE 30, 2011

NOTE 4 - CAPITAL ASSETS (Cont.)

	<u>Beginning Balance</u>	<u>Increase</u>	<u>Decrease</u>	<u>Ending Balance</u>
Business-Type Activities:				
Capital assets not being depreciated	\$ -	\$ -	\$ -	\$ -
Other capital assets:				
Equipment	\$ 260,583.12	\$ -	\$ -	\$ 260,583.12
Utility plant	4,527,205.74	-	-	4,527,205.74
Total other capital assets	<u>\$ 4,787,788.86</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,787,788.86</u>
Less accumulated depreciation for:				
Equipment	\$ 253,408.62	\$ 971.39	\$ -	\$ 254,380.01
Utility plant	2,332,816.12	105,398.70	-	2,438,214.82
Total accumulated depreciation	<u>\$ 2,586,224.74</u>	<u>\$ 106,370.09</u>	<u>\$ -</u>	<u>\$ 2,692,594.83</u>
Other capital assets, net	<u>\$ 2,201,564.12</u>	<u>\$ (106,370.09)</u>	<u>\$ -</u>	<u>\$ 2,095,194.03</u>
Business-Type Activities, Capital Assets, Net	<u>\$ 2,201,564.12</u>	<u>\$ (106,370.09)</u>	<u>\$ -</u>	<u>\$ 2,095,194.03</u>

Depreciation was charged to functions as follows:

Governmental activities:	
General Government	\$ 2,050.65
Public safety	39,702.49
Public Works	8,388.75
Education	194,268.00
Culture and Recreation	2,464.00
<u>Total</u>	<u>\$ 246,873.89</u>
Business-type activities:	
Water-Sewer Fund	<u>\$ 106,370.09</u>

NOTE 5 - LONG-TERM LIABILITIES

Long-term liability activity for the year ended June 30, 2011, was as follows:

	<u>Balance July 1, 2010</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance June 30, 2011</u>
Governmental Activities:				
1995 General Obligation School Bond	\$ 400,000.00	\$ -	\$ 20,000.00	\$ 380,000.00
School lease purchase notes	87,647.00	-	42,518.00	45,129.00
Compensated absences	51,719.79	1,240.90	-	52,960.69
	<u>\$ 539,366.79</u>	<u>\$ 1,240.90</u>	<u>\$ 62,518.00</u>	<u>\$ 478,089.69</u>

TOWN OF ALAMO, TENNESSEE

NOTES TO BASIC FINANCIAL STATEMENTS (CONT.)

JUNE 30, 2011

NOTE 5 - LONG-TERM LIABILITIES

Bonds and notes payable as of June 30, 2011, as shown above consisted of the following issues:

Government Activities:

1995 General Obligation School Bond. Interest rate 5.25%. Interest and principal due in annual installments beginning 2011 through 2025.

Two lease purchase arrangements by the school for the purchase of computer equipment dated during the audit period from Apple, Inc.

- a. Four equal annual installments of \$24,065, including interest at 6.23%.
- b. Four equal annual installments of \$22,057, including interest at 5.27%.

Business-Type Activities:

None

The annual requirements to retire the debt obligations are as follows:

Governmental Activities:

Bonds payable

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2012	\$ 20,000.00	\$ 19,950.00	\$ 39,950.00
2013	20,000.00	18,900.00	38,900.00
2014	20,000.00	17,850.00	37,850.00
2015	20,000.00	16,800.00	36,800.00
2016	30,000.00	15,750.00	45,750.00
2017-2021	150,000.00	55,125.00	205,125.00
2020-2025	<u>120,000.00</u>	<u>15,750.00</u>	<u>135,750.00</u>
	<u>\$ 380,000.00</u>	<u>\$ 160,125.00</u>	<u>\$ 540,125.00</u>

Notes Payable:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2011	<u>\$ 45,129.00</u>	<u>\$ 1,104.00</u>	<u>\$ 46,223.00</u>

NOTE 6 - DEPOSITS AND INVESTMENTS

State statutes authorize the Town to invest excess operating funds in bonds, notes or treasury bills of the United States Government or any of its agencies, certificates of deposit at Tennessee state chartered banks and savings and loan associations and federally chartered banks and savings and loan associations, repurchase agreements utilizing obligations of the United States or its agencies as the underlying securities, and state pooled investment funds. Statutes also require that securities underlying

TOWN OF ALAMO, TENNESSEENOTES TO BASIC FINANCIAL STATEMENTS (CONT.)JUNE 30, 2011NOTE 6 - DEPOSITS AND INVESTMENTS (Cont.)

repurchase agreements must have a market value at least equal to the amount of funds invested in the repurchase transaction. It is the policy of the Town to invest public funds only in bank certificates of deposit.

At June 30, 2011, all cash and certificates of deposit for the Town, including those administered by the School Board of Alamo, were insured or collateralized by securities held by the Town's agent in the Town's name or by Federal Deposit Insurance.

NOTE 7 - RISK MANAGEMENT

In order to manage its activities so as to minimize its exposure to risks such as torts, theft or damage to assets, business interruption, job related illness or injuries to employees and acts of God such as floods or earthquakes, the Town has purchased insurance in amounts that it considers sufficient to retain no significant risk or loss. There have been no settlements that exceeded the amount of insurance coverage in any of the past three fiscal years.

NOTE 8 - INTERNAL BALANCES

During the course of operations, transactions occur between individual funds for goods provided and services rendered. The interfund balances are classified as due to/from other funds. All of these balances are short-term. Any balances outstanding between governmental activities and business-type activities are reported in the government-wide financial statements as internal balances.

As of June 30, 2011, the interfund balances are as follows:

<u>Due to Fund</u>	<u>Due from Fund</u>	<u>Amount</u>
General Purpose School Fund	School Cafeteria Fund	\$ 7,169.00
Water/Sewer Fund	General Fund	15,335.95
Solid Waste Collection Fund	Water/Sewer Fund	21,525.28

During the year the General Fund made transfers to the General Purpose School Fund to cover operating expenses in the amount of \$72,414.00. The General Purpose School Fund made transfers to the General Fund to cover payments on long-term indebtedness in the amount of \$40,475.00.

TOWN OF ALAMO, TENNESSEENOTES TO BASIC FINANCIAL STATEMENTS (CONT.)JUNE 30, 2011**NOTE 9 - CONTINGENCIES**

Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies, principally the federal and state governments. Any disallowed claims, including amounts already collected, could constitute a liability of the applicable fund. The amount of any claims which may be disallowed by the grantors cannot be determined at this time. Management expects such amounts, if any, to be immaterial.

NOTE 10 - BUDGET POLICIES

Budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America and are used as a management control device. Annual budgets are adopted for all funds. The level of budgetary control (that is, the level at which expenditures cannot legally exceed the appropriated amount) for the operating budget is within each fund. Budgeted amounts are presented as originally adopted and as further amended. All unexpended appropriations lapse at year-end.

Supplemental Supporting Schedules

TOWN OF ALAMO, TENNESSEESTATE STREET AID FUNDBUDGETARY COMPARISON SCHEDULEFOR THE YEAR ENDED JUNE 30, 2011

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>Final Budget</u>
				<u>Favorable</u>
				<u>(Unfavorable)</u>
<u>Revenues</u>				
Intergovernmental - State gas tax	\$ 20,000.00	\$ 65,339.00	\$ 65,123.18	\$ (215.82)
<u>Expenditures</u>				
Public Works - Streets:				
Salaries	\$ 20,000.00	\$ 66,000.00	\$ 65,386.72	\$ 613.28
<u>Excess (Deficiency) of</u>				
<u>Revenues Over Expenditures</u>	\$ -	\$ (661.00)	\$ (263.54)	\$ 397.46
Fund Balance, Beginning of Year	11,473.70	11,673.70	11,673.70	-
Fund Balance, End of Year	\$ 11,473.70	\$ 11,012.70	\$ 11,410.16	\$ 397.46

TOWN OF ALAMO, TENNESSEE
SOLID WASTE COLLECTION FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED JUNE 30, 2011

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>Final Budget</u>
				<u>Favorable</u>
				<u>(Unfavorable)</u>
<u>Revenues</u>				
Charges for services	\$ 250,000.00	\$ 250,000.00	\$ 254,316.32	\$ 4,316.32
<u>Expenditures</u>				
Public Works:				
Garbage collection	\$ 250,000.00	\$ 250,000.00	\$ 225,576.92	\$ 24,423.08
<u>Excess (Deficiency) of</u>				
<u>Revenues Over Expenditures</u>	\$ -	\$ -	\$ 28,739.40	\$ 28,739.40
Fund Balance, Beginning of Year	79,450.19	79,450.19	79,450.19	-
Fund Balance, End of Year	\$ 79,450.19-	\$ 79,450.19	\$ 108,189.59	\$ 28,739.40

TOWN OF ALAMO, TENNESSEE
FEDERAL PROJECTS SCHOOL FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED JUNE 30, 2011

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>Budget</u>
				<u>Favorable</u>
				<u>(Unfavorable)</u>
<u>Revenues</u>				
Intergovernmental revenues -				
Federal funds from state	\$ 409,898.00	\$ 409,974.00	\$ 477,521.00	\$ 67,547.00
<u>Expenditures</u>				
Instruction	\$ 331,045.00	\$ 329,157.00	\$ 292,035.00	\$ 37,122.00
Support services	123,857.00	123,933.00	140,854.00	(16,921.00)
Capital outlay	39,004.00	44,004.00	47,756.00	(3,752.00)
<u>Total Expenditures</u>	\$ 493,906.00	\$ 497,094.00	\$ 480,645.00	\$ 16,449.00
<u>Excess (Deficiency) of Revenues</u>				
<u>Over Expenditures</u>	\$ (84,008.00)	\$ (87,120.00)	\$ (3,124.00)	\$ 83,996.00
 Fund Balance, Beginning of Year	 74,627.00	 74,627.00	 66,050.00	 (8,577.00)
Fund Balance, End of Year	\$ (9,381.00)	\$ (12,493.00)	\$ 62,926.00	\$ 75,419.00

TOWN OF ALAMO, TENNESSEE
SCHOOL CAFETERIA FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED JUNE 30, 2011

	<u>Budgeted</u> <u>Amount</u>	<u>Actual</u> <u>Amount</u>	Variance with Budget Favorable (Unfavorable)
<u>Revenues</u>			
Payments for meals	\$ 72,000.00	\$ 73,401.00	\$ 1,401.00
USDA revenue	290,050.00	296,174.00	6,124.00
Other state revenue	3,500.00	3,839.00	339.00
Other	<u>9,250.00</u>	<u>817.00</u>	<u>(8,433.00)</u>
<u>Total Revenues</u>	<u>\$ 374,800.00</u>	<u>\$ 374,231.00</u>	<u>\$ (569.00)</u>
<u>Expenditures</u>			
Labor	\$ 175,200.00	\$ 153,018.00	\$ 22,182.00
Contracted services	7,000.00	5,492.00	1,508.00
Food	149,500.00	149,095.00	405.00
Supplies	13,000.00	16,023.00	(3,023.00)
Utilities	8,600.00	7,183.00	1,417.00
Administration	1,000.00	1,304.00	(304.00)
Repair and maintenance	4,500.00	3,269.00	1,231.00
Capital outlay	10,000.00	6,635.00	3,365.00
Other	<u>6,000.00</u>	<u>9,110.00</u>	<u>(3,110.00)</u>
<u>Total Expenditures</u>	<u>\$ 374,800.00</u>	<u>\$ 351,129.00</u>	<u>\$ 23,671.00</u>
<u>Excess (Deficiency) of Revenues</u> <u>Over Expenditures</u>	<u>\$ -</u>	<u>\$ 23,102.00</u>	<u>\$ 23,102.00</u>
<u>Fund Balance, Beginning of Year</u>	<u>80,083.00</u>	<u>80,083.00</u>	<u>- . -</u>
<u>Fund Balance, End of Year</u>	<u>\$ 80,083.00</u>	<u>\$ 103,185.00</u>	<u>\$ 23,102.00</u>

TOWN OF ALAMO, TENNESSEE

COMBINING STATEMENT OF REVENUES, EXPENDITURES

AND CHANGES IN FUND BALANCES

NON-MAJOR GOVERNMENTAL FUNDS

FOR THE YEAR ENDED JUNE 30, 2011

Revenues	State Street Aid Fund	Solid Waste Collection Fund	Federal Projects School Fund	School Cafeteria Fund	Total
State shared gas tax	\$ 65,123.18	\$ -	\$ -	\$ -	\$ 65,123.18
Federal funds from state	-	-	477,521.00	-	477,521.00
Charges for services	-	254,316.32	-	73,401.00	327,717.32
USDA revenue	-	-	-	296,174.00	296,174.00
Other state revenue	-	-	-	3,839.00	3,839.00
Other sources	-	-	-	817.00	817.00
<u>Total Revenues</u>	<u>\$ 65,123.18</u>	<u>\$ 254,316.32</u>	<u>\$ 477,521.00</u>	<u>\$ 374,231.00</u>	<u>\$ 1,171,191.50</u>
Expenditures					
Public Works:					
Streets:					
Salaries and personnel expenses	\$ 65,386.72	\$ -	\$ -	\$ -	\$ 65,386.72
Garbage collection	-	225,576.92	-	-	225,576.92
Education:					
Instruction	-	-	292,035.00	-	292,035.00
Support Services	-	-	140,854.00	-	140,854.00
Food Services	-	-	-	344,494.00	344,494.00
Capital outlay	-	-	47,756.00	6,635.00	54,391.00
<u>Total Expenditures</u>	<u>\$ 65,386.72</u>	<u>\$ 225,576.92</u>	<u>\$ 480,645.00</u>	<u>\$ 351,129.00</u>	<u>\$ 1,122,737.64</u>
<u>Excess (Deficiency) of Revenues Over (Under) Expenditures</u>	<u>\$ (263.54)</u>	<u>\$ 28,739.40</u>	<u>\$ (3,124.00)</u>	<u>\$ 23,102.00</u>	<u>\$ 48,453.86</u>
Fund Balance, Beginning of Year	<u>11,673.70</u>	<u>79,450.19</u>	<u>66,050.00</u>	<u>80,083.00</u>	<u>237,256.89</u>
Fund Balances, End of year	<u>\$ 11,410.16</u>	<u>\$ 108,189.59</u>	<u>\$ 62,926.00</u>	<u>\$ 103,185.00</u>	<u>\$ 285,710.75</u>

TOWN OF ALAMO, TENNESSEE
SCHEDULE OF FUND TRANSFERS
FOR THE YEAR ENDED JUNE 30, 2011

<u>Transfers From</u>	<u>Transfers To</u>	<u>Amount</u>
General Fund	General Purpose School Fund	\$ 72,414.00
General Purpose School Fund	General Fund	40,475.00

TOWN OF ALAMO, TENNESSEE

SCHEDULE OF REAL ESTATE TAX RATES, ASSESSMENTS,
AND CHANGES IN REAL ESTATE TAXES RECEIVABLE

FOR THE YEAR ENDED JUNE 30, 2011

<u>Year</u>	<u>Property Assessments</u>	<u>Tax Rate</u>	<u>Beginning Balance</u>	<u>Assessments</u>	<u>Collections and Adjustments</u>	<u>Ending Balance</u>
2011	\$	\$	\$ -	\$ 315,462.00	\$ -	\$ 315,462.00
2010	32,008,177	.99	316,872.00	-	285,922.00	30,950.00
2009	29,585,024	1.05	33,176.00	-	21,255.00	11,921.00
2008	27,105,148	1.05	5,684.00	-	2,889.00	2,795.00
2007	26,392,717	1.05	3,080.00	-	1,712.10	1,367.90
2006	26,663,696	1.05	1,192.00	-	137.00	1,055.00
2005	26,908,459	1.05	385.00	-	-	385.00
2004	27,024,321	1.05	1,290.00	-	-	1,290.00
2003	25,330,828	1.12	1.00	-	1.00	-
2002	26,901,612	1.12	-	-	-	-
			<u>\$ 361,680.00</u>	<u>\$ 315,462.00</u>	<u>\$ 316,916.10</u>	<u>\$ 365,225.90</u>

Summary:

Total property taxes receivable	\$ 365,225.90
Less: Deferred amount	<u>353,655.90</u>
Current property tax receivable	<u>\$ 11,570.00</u>

NOTE: 1) Delinquent property taxes through year 2008 have been filed for collection with the County Trustee.

2) Taxes for the year 2011 are shown as receivable since they attached as a lien to property as of January 1, 2011. However, those taxes were not levied until October, 2011, and, therefore, the recognition of revenue from those taxes is deferred at June 30, 2011.

TOWN OF ALAMO, TENNESSEE
SCHEDULE OF LONG-TERM DEBT
JUNE 30, 2011

Year Ended June 30	General Fund	
	<u>1995 G. O. School Bond - 5.25%</u>	
	<u>Principal</u>	<u>Interest</u>
<u>1995 G.O. School bond - 5.25%</u>		
2012	\$ 20,000.00	\$ 19,950.00
2013	20,000.00	18,900.00
2014	20,000.00	17,850.00
2015	20,000.00	16,800.00
2016	30,000.00	15,750.00
2017	30,000.00	14,175.00
2018	30,000.00	12,600.00
2019	30,000.00	11,025.00
2020	30,000.00	9,450.00
2021	30,000.00	7,875.00
2022	30,000.00	6,300.00
2023	30,000.00	4,725.00
2024	30,000.00	3,150.00
2025	<u>30,000.00</u>	<u>1,575.00</u>
	<u>\$ 380,000.00</u>	<u>\$ 160,125.00</u>
<u>Lease Purchase Notes Payable</u>		
2012	<u>\$ 45,129.00</u>	<u>\$ 1,104.00</u>

TOWN OF ALAMO, TENNESSEESCHEDULE OF UTILITY RATESJUNE 30, 2011Water

Inside city limits:

First 2,000 gallons

6.50 minimum

Over 2,000 gallons

2.00 per 1,000 gallons

Outside city limits:

First 2,000 gallons

7.50 minimum

Over 2,000 gallons

2.40 per 1,000 gallons

Sewer

Inside city limits:

First 2,000 gallons

6.50 minimum

Over 2,000 gallons

2.00 per 1,000 gallons

Outside city limits:

First 2,000 gallons

7.50 minimum

Over 2,000 gallons

2.40 per 1,000 gallons

As of June 30, 2011, the town had 1,203 water customers and 1,095 sewer customers.

TOWN OF ALAMO, TENNESSEE
SCHEDULE OF UNACCOUNTED FOR WATER
JUNE 30, 2011

(All Amounts in Gallons)

Water Treated and Purchased:		
Water pumped (potable)	116,473,000	
Water purchased	<u>0</u>	
Total Water Treated and Purchased		116,473,000
Accounted for Water:		
Water sold	77,359,100	
Metered for consumption (in house usage)	76,700	
Fire Department usage	69,000	
Flushing	2,190,228	
Tank cleaning/filling	6,262,000	
Street cleaning	0	
Bulk sales	14,000	
Water bill adjustments	<u>0</u>	
Total Accounted for Water		<u>85,971,028</u>
Unaccounted for Water		<u>30,501,972</u>
Percent Unaccounted for Water		<u>26.19%</u>
Other (explain)		
Explain other: None		

All amounts included in this schedule are supported by documentation on file at the water system. If no support is on file or if the line item is not applicable, a "0" is shown.

TOWN OF ALAMO

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE

FOR THE FISCAL YEAR ENDED JUNE 30, 2011

<u>Federal Grantor/Pass Through Grantor</u>	<u>CFDA Number</u>	<u>State Grant Number</u>	<u>Receivable 6/30/10</u>	<u>Cash Receipts</u>	<u>Expenditures</u>	<u>Receivable 6/30/11</u>
U.S. Department of Housing & Urban Development/ TN Housing Development Agency	14.225	NSP1-09-003	\$ -	\$ 54,915	\$ 54,915	\$ -
Federal Emergency Management Agency/ Tennessee Emergency Management Agency	97.036	34101-6294	-	12,435	12,435	-
<u>State Assistance</u>						
Tennessee Department of Safety: High Visibility Low Enforcement Grant	20.60	Z-10-219931	-	4,348	4,348	-
<u>Total Federal & State Awards</u>			<u>\$ -</u>	<u>\$ 71,698</u>	<u>\$ 71,698</u>	<u>\$ -</u>

- Notes:
1. The accompanying Schedule of Expenditures of Federal Awards and State Financial assistance summarizes the expenditures of the Town of Alamo, Tennessee, under programs of the federal and state government for the year ended June 30, 2011. The Schedule was prepared using the modified accrual basis of accounting.
 2. Federal and state assistance for the Alamo City Schools was presented in a separately-issued audit report and, therefore, is not included here.

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TENNESSEE SOCIETY OF
CERTIFIED PUBLIC ACCOUNTANTS

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

To the Mayor and Board of Aldermen
Town of Alamo, Tennessee

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Alamo, Tennessee, as of and for the year ended June 30, 2011, which collectively comprise the Town of Alamo, Tennessee's basic financial statements and have issued our report thereon dated November 18, 2011. Our report was modified to include a reference to other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Other auditors audited the financial statements of the Alamo City School System, as described in our report on the Town of Alamo, Tennessee's financial statements. This report does not include the results of the other auditor's testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

Internal Control Over Financial Reporting

Management of the Town is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the Town of Alamo, Tennessee's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Town of Alamo, Tennessee's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Town of Alamo, Tennessee's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

To the Mayor and Board of Aldermen
Town of Alamo, Tennessee
Page 2

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town of Alamo, Tennessee's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests and those of the other auditors disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards.

This report is intended for the information of the Mayor and Board of Aldermen, the Tennessee State Comptroller's office, and other regulatory bodies and is not intended to be and should not be used by anyone other than those specified parties.



Certified Public Accountants

Jackson, Tennessee
November 18, 2011